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Reviewed work(s):

Source: *Population and Development Review*, Vol. 33, No. 3 (Sep., 2007), pp. 593-605

Published by: [Population Council](#)

Stable URL: <http://www.jstor.org/stable/25434637>

Accessed: 25/09/2012 13:19

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Friedrich List on Globalization versus the National Interest

Globalization, the increasing interconnectedness of national economies, has been a long-term historical process—interrupted, periodically, by marked setbacks. The pace of change has accelerated over the past quarter century as a result of geopolitical, technological, and ideological developments. Globalization now embraces, if to differing degrees, nearly all countries of the international system. It entails large cross-country movements of the factors of production, more efficient organization of industrial activity (with multinational corporations playing a significant role), and massive expansion of international trade. The benefits of the resulting rapid growth of world economic output have been widely distributed among countries and their populations. In the developing world, despite the addition of nearly 2 billion people in the last 25 years, hundreds of millions have been lifted out of dire poverty. Average income levels in the developed world have also risen substantially. But the economic gains have been unevenly distributed, and the economic and social dislocations that globalization entails have imposed often high personal costs on some segments of the population in every country. These have made the process highly controversial.

The progress of globalization rests on mutually agreed-upon rules of international economic relations that limit individual country governments' capacity to interfere with the movement of goods, services, and capital across their borders. Governments nevertheless seek ways to shape those rules in the national interest while at the same time trying to preserve the benefits provided by a liberal global economic order. Such efforts to square the circle tend to have mixed success.

The nascent and geographically limited globalization in the first part of the nineteenth century generated debates that prefigure many present-day controversies about economic policy—in particular, concerning international trade and capital movements. Britain, the pioneer in industrialization, at the time was far ahead of the rest of the world in economic development. The dominant ideological and theoretical underpinnings of the arrangements for international economic relations were set by

Adam Smith and his followers. These arrangements, it was felt by many observers, relegated other countries, notably those of continental Europe and the United States, to a permanently inferior economic status. Their industries, as some (like the American Alexander Hamilton) would argue, could not develop because their products could not compete with those of the more advanced British economy. Domestic manufacturing needed protection. By far the most prominent voice articulating this thesis was that of the German economist Friedrich List (1789–1846). The development of List's ideas about the importance of fostering a "national [economic] system" was influenced by his stay in the United States between 1825 and 1832. His thinking about economic policies that countries wishing to catch up with Britain should follow was elaborated in his principal and widely translated work, first published in 1841, Das Nationale System der Politischen Ökonomie (The National System of Political Economy).

The book is set out essentially as a polemic against the "cosmopolitical" economics of the prevailing "popular school," reflecting the liberal doctrines of Smith. In its advocacy of free international trade, that school downplays or even ignores the role of the nation as a key economic unit, one that should serve national rather than universalistic (or individualistic) interests. Free trade would be justifiable if countries were equally developed and part of a universal confederation living in perpetual peace. List considers such a state a desirable eventual goal; the actual national economic agenda, however, should properly be a striving for higher domestic development of manufacturing and commerce, moving away from the dominance of agriculture that he equates with economic backwardness. Achieving wealth, advancement in moral, intellectual, social, and political spheres, and, not least, national power is feasible for countries with a large population, a common language, and a territory endowed with natural resources. (In his book, List disputes Malthusian pessimism, asserting that "so long as on the globe a mass of natural forces still lies inert... ten times or perhaps a hundred times more people than are now living can be sustained.") But this requires making present sacrifices—the short-run higher domestic prices resulting from protective trade barriers—in order to secure future gains. Buying shirts 40 percent cheaper is no consolation for a man if the price is the loss of an arm, declares List. He does not dispute the benefits of international trade, though he sees them as varying over the course of economic development. And he advocates special protection only in the case of the "most important branches" of industry—what would be called "national champions" in present-day debates on industrial policy. List does not discuss the capacity of governments to make wise choices in this regard, nor the consequences for the gains that can be derived from international trade if all countries were to follow his policy prescriptions. Those prescriptions were, however, often influential in shaping actual policies in many countries seeking greater economic power in the past century and a half, ranging from Bismarck's Germany to post-World War II Japan and contemporary China.

The possible demographic dimensions of globalization were at least of passing interest to List. For example, in a putative European Union encompassing Britain and the Continent, "the excess of population, talents, skilled abilities, and material capital

would flow over from England to the Continental states, in a similar manner to that in which it travels from the eastern states of the American Union to the western." But political union, he held, must come first. The likelihood of migration from poorer to richer countries List did not consider.

Representative passages from Chapters 11, 12, and 15 are reproduced below from the 1909 edition of The National System of Political Economy, translated by Sampson S. Lloyd (London: Longmans, Green), which appeared originally in 1885. Subtitles are supplied; footnotes have been omitted.

[National and global economy]

If we wish to remain true to the laws of logic and of the nature of things, we must set the economy of individuals against the economy of societies, and discriminate in respect to the latter between true political or national economy (which, emanating from the idea and nature of the nation, teaches how a given *nation* in the present state of the world and its own special national relations can maintain and improve its economical conditions) and cosmopolitical economy, which originates in the assumption that all nations of the earth form but one society living in a perpetual state of peace.

If, as the prevailing school requires, we assume a universal union or confederation of all nations as the guarantee for an everlasting peace, the principle of international free trade seems to be perfectly justified. The less every individual is restrained in pursuing his own individual prosperity, the greater the number and wealth of those with whom he has free intercourse, the greater the area over which his individual activity can exercise itself, the easier it will be for him to utilise for the increase of his prosperity the properties given him by nature, the knowledge and talents which he has acquired, and the forces of nature placed at his disposal. As with separate individuals, so is it also the case with individual communities, provinces, and countries. A simpleton only could maintain that a union for free commercial intercourse between themselves is not as advantageous to the different states included in the United States of North America, to the various departments of France, and to the various German allied states, as would be their separation by internal provincial customs tariffs.

In the union of the three kingdoms of Great Britain and Ireland the world witnesses a great and irrefragable example of the immeasurable efficacy of free trade between united nations. Let us only suppose all other nations of the earth to be united in a similar manner, and the most vivid imagination will not be able to picture to itself the sum of prosperity and good fortune which the whole human race would thereby acquire.

Unquestionably the idea of a universal confederation and a perpetual peace is commended both by common sense and religion. If single combat

between individuals is at present considered to be contrary to reason, how much more must combat between two nations be similarly condemned? The proofs which social economy can produce from the history of the civilisation of mankind of the reasonableness of bringing about the union of all mankind under the law of right, are perhaps those which are the clearest to sound human understanding.

History teaches that wherever individuals are engaged in wars, the prosperity of mankind is at its lowest stage, and that it increases in the same proportion in which the concord of mankind increases. In the primitive state of the human race, first unions of families took place, then towns, then confederations of towns, then union of whole countries, finally unions of several states under one and the same government. If the nature of things has been powerful enough to extend this union (which commenced with the family) over hundreds of millions, we ought to consider that nature to be powerful enough to accomplish the union of all nations. If the human mind were capable of comprehending the advantages of this great union, so ought we to venture to deem it capable of understanding the still greater benefits which would result from a union of the whole human race. Many instances indicate this tendency in the spirit of the present times. We need only hint at the progress made in sciences, arts, and discoveries, in industry and social order. It may be already foreseen with certainty, that after a lapse of a few decades the civilised nations of the earth will, by the perfection of the means of conveyance, be united as respects both material and mental interchange in as close a manner as (or even closer than) that in which a century ago the various counties of England were connected. Continental governments possess already at the present moment in the telegraph the means of communicating with one another, almost as if they were at one and the same place. Powerful forces previously unknown have already raised industry to a degree of perfection hitherto never anticipated, and others still more powerful have already announced their appearance. But the more that industry advances, and proportionately extends over the countries of the earth, the smaller will be the possibility of wars....

. . .

That the civilisation of all nations, the culture of the whole globe, forms a task imposed on the whole human race, is evident from those unalterable laws of nature by which civilised nations are driven on with irresistible power to extend or transfer their powers of production to less cultivated countries. We see everywhere, under the influence of civilisation, population, powers of mind, material capital attaining to such dimensions that they must necessarily flow over into other less civilised countries. If the cultivable area of the country no longer suffices to sustain the population and to employ the agricultural population, the redundant portion of the latter seeks territories

suitable for cultivation in distant lands; if the talents and technical abilities of a nation have become so numerous as to find no longer sufficient rewards within it, they emigrate to places where they are more in demand; if in consequence of the accumulation of material capital, the rates of interest fall so considerably that the smaller capitalist can no longer live on them, he tries to invest his money more satisfactorily in less wealthy countries.

A true principle, therefore, underlies the system of the popular school, but a principle which must be recognised and applied by science if its design to enlighten practice is to be fulfilled, an idea which practice cannot ignore without getting astray; only the school has omitted to take into consideration the nature of nationalities and their special interests and conditions, and to bring these into accord with the idea of universal union and an everlasting peace.

The popular school has assumed as being actually in existence a state of things which has yet to come into existence. It assumes the existence of a universal union and a state of perpetual peace, and deduces therefrom the great benefits of free trade. In this manner it confounds effects with causes. Among the provinces and states which are already politically united, there exists a state of perpetual peace; from this political union originates their commercial union, and it is in consequence of the perpetual peace thus maintained that the commercial union has become so beneficial to them. All examples which history can show are those in which the political union has led the way, and the commercial union has followed. Not a single instance can be adduced in which the latter has taken the lead, and the former has grown up from it. That, however, under the existing conditions of the world, the result of general free trade would not be a universal republic, but, on the contrary, a universal subjection of the less advanced nations to the supremacy of the predominant manufacturing, commercial, and naval power, is a conclusion for which the reasons are very strong and, according to our views, irrefragable. A universal republic (in the sense of Henry IV and of the Abbé St. Pierre), i.e. a union of the nations of the earth whereby they recognise the same conditions of right among themselves and renounce self-redress, can only be realised if a large number of nationalities attain to as nearly the same degree as possible of industry and civilisation, political cultivation, and power. Only with the gradual formation of this union can free trade be developed, only as a result of this union can it confer on all nations the same great advantages which are now experienced by those provinces and states which are politically united. The system of protection, inasmuch as it forms the only means of placing those nations which are far behind in civilisation on equal terms with the one predominating nation (which, however, never received at the hands of Nature a perpetual right to a monopoly of manufacture, but which merely gained an advance over others in point of time), the system of protection regarded from this point of view appears to be the most efficient

means of furthering the final union of nations, and hence also of promoting true freedom of trade. And national economy appears from this point of view to be that science which, correctly appreciating the existing interests and the individual circumstances of nations, teaches how *every separate nation* can be raised to that stage of industrial development in which union with other nations equally well developed, and consequently freedom of trade, can become possible and useful to it.

. . .

[Causes of national wealth and power]

The Christian religion, monogamy, abolition of slavery and of vassalage, hereditability of the throne, invention of printing, of the press, of the postal system, of money weights and measures, of the calendar, of watches, of police, the introduction of the principle of freehold property, of means of transport, are rich sources of productive power. To be convinced of this, we need only compare the condition of the European states with that of the Asiatic ones. In order duly to estimate the influence which liberty of thought and conscience has on the productive forces of nations, we need only read the history of England and then that of Spain. The publicity of the administration of justice, trial by jury, parliamentary legislation, public control of State administration, self-administration of the commonalties and municipalities, liberty of the press, liberty of association for useful purposes, impart to the citizens of constitutional states, as also to their public functionaries, a degree of energy and power which can hardly be produced by other means. We can scarcely conceive of any law or any public legal decision which would not exercise a greater or smaller influence on the increase or decrease of the productive power of the nation. If we consider merely bodily labour as the cause of wealth, how can we then explain why modern nations are incomparably richer, more populous, more powerful, and prosperous than the nations of ancient times? The ancient nations employed (in proportion to the whole population) infinitely more hands, the work was much harder, each individual possessed much more land, and yet the masses were much worse fed and clothed than is the case in modern nations. In order to explain these phenomena, we must refer to the progress which has been made in the course of the last thousand years in sciences and arts, domestic and public regulations, cultivation of the mind and capabilities of production. The present state of the nations is the result of the accumulation of all discoveries, inventions, improvements, perfections, and exertions of all generations which have lived before us; they form the mental capital of the present human race, and every separate nation is productive only in the proportion in which it has known how to appropriate these attainments of former generations and

to increase them by its own acquirements, in which the natural capabilities of its territory, its extent and geographical position, its population and political power, have been able to develop as completely and symmetrically as possible all sources of wealth within its boundaries, and to extend its moral, intellectual, commercial, and political influence over less advanced nations and especially over the affairs of the world.

The popular school of economists would have us believe that politics and political power cannot be taken into consideration in political economy. So far as it makes only values and exchange the subjects of its investigations, this may be correct; we can define the ideas of value and capital, profit, wages, and rent; we can resolve them into their elements, and speculate on what may influence their rising or falling, etc. without thereby taking into account the political circumstances of the nation. Clearly, however, these matters appertain as much to private economy as to the economy of whole nations. We have merely to consider the history of Venice, of the Hanseatic League, of Portugal, Holland, and England, in order to perceive what reciprocal influence material wealth and political power exercise on each other.

. . .

The nation must sacrifice and give up a measure of material property in order to gain culture, skill, and powers of united production; it must sacrifice some present advantages in order to insure to itself future ones. If, therefore, a manufacturing power developed in all its branches forms a fundamental condition of all higher advances in civilisation, material prosperity, and political power in every nation (a fact which, we think, we have proved from history); if it be true (as we believe we can prove) that in the present conditions of the world a new unprotected manufacturing power cannot possibly be raised up under free competition with a power which has long since grown in strength and is protected on its own territory; how can anyone possibly undertake to prove by arguments only based on the mere theory of values, that a nation ought to buy its goods like individual merchants, at places where they are to be had the cheapest—that we act foolishly if we manufacture anything at all which can be got cheaper from abroad—that we ought to place the industry of the nation at the mercy of the self-interest of individuals—that protective duties constitute monopolies, which are granted to the individual home manufacturers at the expense of the nation? It is true that protective duties at first increase the price of manufactured goods; but it is just as true, and moreover acknowledged by the prevailing economical school, that in the course of time, by the nation being enabled to build up a completely developed manufacturing power of its own, those goods are produced more cheaply at home than the price at which they can be imported from foreign parts. If, therefore, a sacrifice of value is caused by protective duties, it is made good by the gain of a power of production, which not only

secures to the nation an infinitely greater amount of material goods, but also industrial independence in case of war. Through industrial independence and the internal prosperity derived from it the nation obtains the means for successfully carrying on foreign trade and for extending its mercantile marine; it increases its civilisation, perfects its institutions internally, and strengthens its external power. A nation capable of developing a manufacturing power, if it makes use of the system of protection, thus acts quite in the same spirit as that landed proprietor did who by the sacrifice of some material wealth allowed some of his children to learn a productive trade.

["Presents" from other nations do not bring wealth]

Into what mistakes the prevailing economical school has fallen by judging conditions according to the mere theory of values which ought properly to be judged according to the theory of powers of production, may be seen very clearly by the judgment which J. B. Say passes upon the bounties which foreign countries sometimes offer in order to facilitate exportation; he maintains that 'these are presents made to our nation.' Now if we suppose that France considers a protective duty of twenty-five per cent sufficient for her not yet perfectly developed manufactures, while England were to grant a bounty on exportation of thirty per cent, what would be the consequence of the 'present' which in this manner the English would make to the French? The French consumers would obtain for a few years the manufactured articles which they needed much cheaper than hitherto, but the French manufactories would be ruined, and millions of men be reduced to beggary or obliged to emigrate, or to devote themselves to agriculture for employment. Under the most favourable circumstances, the present consumers and customers of the French agriculturists would be converted into competitors with the latter, agricultural production would be increased, and the consumption lowered. The necessary consequence would be diminution in value of the products, decline in the value of property, national poverty and national weakness in France. The English 'present' in mere value would be dearly paid for in loss of power; it would seem like the present which the Sultan is wont to make to his pashas by sending them valuable silken cords.

Since the time when the Trojans were 'presented' by the Greeks with a wooden horse, the acceptance of 'presents' from other nations has become for the nation which receives them a very questionable transaction. The English have given the Continent presents of immense value in the form of subsidies, but the Continental nations have paid for them dearly by the loss of power. These subsidies acted like a bounty on exportation in favour of the English, and were detrimental to the German manufactories. If England bound herself to-day to supply the Germans gratuitously for years with all

they required in manufactured articles, we could not recommend them to accept such an offer. If the English are enabled through new inventions to produce linen forty per cent cheaper than the Germans can by using the old process, and if in the use of their new process they merely obtain a start of a few years over the Germans, in such a case, were it not for protective duties, one of the most important and oldest branches of Germany's industry will be ruined. It will be as if a limb of the body of the German nation had been lost. And who would be consoled for the loss of an arm by knowing that he had nevertheless bought his shirts forty per cent cheaper?

. . .

[Importance of manufactures]

The great statesmen of all modern nations, almost without exception, have comprehended the great influence of manufactures and manufactories on the wealth, civilisation, and power of nations, and the necessity of protecting them. Edward III comprehended this like Elizabeth; Frederick the Great like Joseph II; Washington like Napoleon....

. . .

A nation which only carries on agriculture, is an individual who in his material production lacks one arm. Commerce is merely the medium of exchange between the agricultural and the manufacturing power, and between their separate branches. A nation which exchanges agricultural products for foreign manufactured goods is an individual with one arm, which is supported by a foreign arm. This support may be useful to it, but not so useful as if it possessed two arms itself, and this because its activity is dependent on the caprice of the foreigner. In possession of a manufacturing power of its own, it can produce as much provisions and raw materials as the home manufacturers can consume; but if dependent upon foreign manufacturers, it can merely produce as much surplus as foreign nations do not care to produce for themselves, and which they are obliged to buy from another country.

As between the different districts of one and the same country, so does the division of labour and the co-operation of the productive powers operate between the various nations of the earth. The former is conducted by internal or national, the latter by international commerce. The international co-operation of productive powers is, however, a very imperfect one, inasmuch as it may be frequently interrupted by wars, political regulations, commercial crises, etc. Although it is the most important in one sense, inasmuch as by it the various nations of the earth are connected with one another, it is nevertheless the least important with regard to the prosperity of any sepa-

rate nation which is already far advanced in civilisation. This is admitted by writers of the popular school, who declare that the home market of a nation is without comparison more important than its foreign market. It follows from this, that it is the interest of every great nation to make the national confederation of its productive powers the main object of its exertions, and to consider their international confederation as second in importance to it.

Both international and national division of labour are chiefly determined by climate and by Nature herself. We cannot produce in every country tea as in China, spices as in Java, cotton as in Louisiana, or corn, wool, fruit, and manufactured goods as in the countries of the temperate zone. It would be folly for a nation to attempt to supply itself by means of national division of labour (i.e. by home production) with articles for the production of which it is not favoured by nature, and which it can procure better and cheaper by means of international division of labour (i.e. through foreign commerce). And just as much does it betoken a want of national intelligence or national industry if a nation does not employ all the natural powers which it possesses in order to satisfy its own internal wants, and then by means of the surplus of its own productions to purchase those necessary articles which nature has forbidden it to produce on its own territory.

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[National development is a precondition for a global future]

The system of the school suffers, as we have already shown in the preceding chapters, from three main defects: firstly, from boundless cosmopolitanism, which neither recognises the principle of nationality, nor takes into consideration the satisfaction of its interests; secondly, from a dead materialism, which everywhere regards chiefly the mere exchangeable value of things without taking into consideration the mental and political, the present and the future interests, and the productive powers of the nation; thirdly, from a disorganising particularism and individualism, which, ignoring the nature and character of social labour and the operation of the union of powers in their higher consequences, considers private industry only as it would develop itself under a state of free interchange with society (i.e. with the whole human race) were that race not divided into separate national societies.

Between each individual and entire humanity, however, stands *the nation*, with its special language and literature, with its peculiar origin and history, with its special manners and customs, laws and institutions, with the claims of all these for existence, independence, perfection, and continuance for the future, and with its separate territory; a society which, united by a thousand ties of mind and of interests, combines itself into one independent

whole, which recognises the law of right for and within itself, and in its united character is still opposed to other societies of a similar kind in their national liberty, and consequently can only under the existing conditions of the world maintain self-existence and independence by its own power and resources. As the individual chiefly obtains by means of the nation and in the nation mental culture, power of production, security, and prosperity, so is the civilisation of the human race only conceivable and possible by means of the civilisation and development of the individual nations.

Meanwhile, however, an infinite difference exists in the condition and circumstances of the various nations: we observe among them giants and dwarfs, well-formed bodies and cripples, civilised, half-civilised, and barbarous nations; but in all of them, as in the individual human being, exists the impulse of self-preservation, the striving for improvement which is implanted by nature. It is the task of politics to civilise the barbarous nationalities, to make the small and weak ones great and strong, but, above all, to secure to them existence and continuance. It is the task of national economy to accomplish the economical development of the nation, and to prepare it for admission into the universal society of the future.

A nation in its normal state possesses one common language and literature, a territory endowed with manifold natural resources, extensive, and with convenient frontiers and a numerous population. Agriculture, manufactures, commerce, and navigation must be all developed in it proportionately; arts and sciences, educational establishments, and universal cultivation must stand in it on an equal footing with material production. Its constitution, laws, and institutions must afford to those who belong to it a high degree of security and liberty, and must promote religion, morality, and prosperity; in a word, must have the well-being of its citizens as their object. It must possess sufficient power on land and at sea to defend its independence and to protect its foreign commerce. It will possess the power of beneficially affecting the civilisation of less advanced nations, and by means of its own surplus population and of their mental and material capital to found colonies and beget new nations.

A large population, and an extensive territory endowed with manifold national resources, are essential requirements of the normal nationality; they are the fundamental conditions of mental cultivation as well as of material development and political power. A nation restricted in the number of its population and in territory, especially if it has a separate language, can only possess a crippled literature, crippled institutions for promoting art and science. A small state can never bring to complete perfection within its territory the various branches of production. In it all protection becomes mere private monopoly. Only through alliances with more powerful nations, by partly sacrificing the advantages of nationality, and by excessive energy, can it maintain with difficulty its independence.

A nation which possesses no coasts, mercantile marine, or naval power, or has not under its dominion and control the mouths of its rivers, is in its foreign commerce dependent on other countries; it can neither establish colonies of its own nor form new nations; all surplus population, mental and material means, which flows from such a nation to uncultivated countries, is lost to its own literature, civilisation and industry, and goes to the benefit of other nationalities.

A nation not bounded by seas and chains of mountains lies open to the attacks of foreign nations, and can only by great sacrifices, and in any case only very imperfectly, establish and maintain a separate tariff system of its own.

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[Stages of national development]

As respects their economy, nations have to pass through the following stages of development: original barbarism, pastoral condition, agricultural condition, agricultural-manufacturing condition, and agricultural-manufacturing-commercial condition.

The industrial history of nations, and of none more clearly than that of England, proves that the transition from the savage state to the pastoral one, from the pastoral to the agricultural, and from agriculture to the first beginnings in manufacture and navigation, is effected most speedily and advantageously by means of free commerce with further advanced towns and countries, but that a perfectly developed manufacturing industry, an important mercantile marine, and foreign trade on a really large scale, can only be attained by means of the interposition of the power of the State.

The less any nation's agriculture has been perfected, and the more its foreign trade is in want of opportunities of exchanging the excess of native agricultural products and raw materials for foreign manufactured goods, the deeper that the nation is still sunk in barbarism and fitted only for an absolute monarchical form of government and legislation, the more will free trade (i.e. the exportation of agricultural products and the importation of manufactured goods) promote its prosperity and civilisation.

On the other hand, the more that the agriculture of a nation, its industries, and its social, political, and municipal conditions, are thoroughly developed, the less advantage will it be able to derive for the improvement of its social conditions, from the exchange of native agricultural products and raw materials for foreign manufactured goods, and the greater disadvantages will it experience from the successful competition of a foreign manufacturing power superior to its own.

Solely in nations of the latter kind, namely, those which possess all the necessary mental and material conditions and means for establishing

a manufacturing power of their own, and of thereby attaining the highest degree of civilisation, and development of material prosperity and political power, but which are retarded in their progress by the competition of a foreign manufacturing power which is already farther advanced than their own—only in such nations are commercial restrictions justifiable for the purpose of establishing and protecting their own manufacturing power; and even in them it is justifiable only until that manufacturing power is strong enough no longer to have any reason to fear foreign competition, and thenceforth only so far as may be necessary for protecting the inland manufacturing power in its very roots.

The system of protection would not merely be contrary to the principles of cosmopolitical economy, but also to the rightly understood advantage of the nation itself, were it to exclude foreign competition at once and altogether, and thus isolate from other nations the nation which is thus protected. If the manufacturing power to be protected be still in the first period of its development, the protective duties must be very moderate, they must only rise gradually with the increase of the mental and material capital, of the technical abilities and spirit of enterprise of the nation. Neither is it at all necessary that all branches of industry should be protected in the same degree. Only the most important branches require special protection, for the working of which much outlay of capital in building and management, much machinery, and therefore much technical knowledge, skill, and experience, and many workmen are required, and whose products belong to the category of the first necessities of life, and consequently are of the greatest importance as regards their total value as well as regards national independence (as, for example, cotton, woollen and linen manufactories, etc.). If these main branches are suitably protected and developed, all other less important branches of manufacture will rise up around them under a less degree of protection. It will be to the advantage of nations in which wages are high, and whose population is not yet great in proportion to the extent of their territory, e.g. in the United States of North America, to give less protection to manufactures in which machinery does not play an important part, than to those in which machinery does the greater part of the work, providing that those nations which supply them with similar goods allow in return free importation to their agricultural products.

The popular school betrays an utter misconception of the nature of national economical conditions if it believes that such nations can promote and further their civilisation, their prosperity, and especially their social progress, equally well by the exchange of agricultural products for manufactured goods, as by establishing a manufacturing power of their own. A mere agricultural nation can never develop to any considerable extent its home and foreign commerce, its inland means of transport, and its foreign navigation, increase its population in due proportion to their wellbeing, or make notable progress in its moral, intellectual, social, and political development.